DOCUMENT RESUME

ED 307 341 UD 026 489

AUTHOR	Greenstein, Robert; And Others
TITLE	Shortchanged: Recent Developments in Hispanic Poverty, Income, and Employment.
INSTITUTION	Center on Budget and Policy Priorities, Washington, DC.
PUB DATE	Nov 88
NOTE	49p.
AVAILABLE FROM	Center on Budget and Policy Priorities, 236 Massachusetts Avenue, NE, Suite 305, Washington, DC 20002.
PUB TYPE	Statistical Data (110) -- Reports - Descriptive (141)
EDRS PRICE	MF01 Plus Postage. PC Not Available from EDRS.
DESCRIPTORS	Children; Dropouts; *Economic Factors; Employment Level; Equal Opportunities (Jobs); Ethnicity; Family Size; *Government Role; *Hispanic Americans; Mexican Americans; Older Adults; One Parent Family; *Poverty; Puerto Ricans; *Racial Differences; Unemployment
IDENTIFIERS	Feminization of Poverty

ABSTRACT

Despite a fifth year of economic recovery in 1987, the poverty rate for Hispanic Americans remained at nearly the same level in 1987 as during the severe recession of the early 1980s. Among non-Hispanics, by contrast, poverty rates have declined during the recovery, making Hispanics the only racial or ethnic group whose poverty rates remain at or close to recession levels. Although measures of national economic conditions such as the unemployment rate were at about the same level in 1987 as in 1978, Hispanic poverty rates were sharply higher in 1987 than in 1978. This is due in part to a worsening poverty rate for Hispanic married-couple families. Poverty has grown at an especially rapid rate among the following Hispanic groups: (1) children; (2) the elderly; (3) high school dropouts; and (4) Mexican Americans. Puerto Ricans still have the highest poverty rate. The rise in poverty has affected all regions of the country. Poor Hispanics are growing poorer. Hispanic incomes have also declined, and now fall farther behind the income of the typical White family than at any other time on record. Nearly one out of every four Hispanic families is female-headed. Although the Hispanic unemployment rate has declined, the wages being paid to Hispanics have eroded, and now fall well below the levels of the late 1970s. Federal budget policies have cut programs that benefited two-income households; this disproportionately affected Hispanics. Tables and figures illustrate the data. (BJV)

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Recent Developments in Hispanic Poverty, Income and Employment

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The Center on Budget and Policy Priorities, located in Washington, D.C., is a nonpartisan, nonprofit research organization that studies government spending, programs and public policy issues that have an impact on low and moderate income Americans. The Center is funded by grants from foundations.

This report was prepared by Center Director Robert Greenstein, Research Director Kathy Porter, and Analysts Isaac Shapiro, Paul Leonard, and Scott Barancik.

November 1988

Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002
(202) 544-0591

Contents

		Page
Highlights		v
I.	**Hispanic Poverty**	1
II.	**Hispanic Income**	17
III.	**Hispanic Employment and Wages**	25
IV.	**Federal Budget Policy in the 1980s: Its Effect on Hispanic Americans**	31

SHORTCHANGED:

Recent Developments in Hispanic Poverty, Income and Employment

Highlights

Trends in Hispanic Poverty

Despite a fifth year of economic recovery in 1987, the poverty rate for Hispanic-Americans remained at nearly the same level last year as during the severe recession of the early 1980s. Among non-Hispanics, by contrast, poverty rates have declined during the recovery, making Hispanics the only racial or ethnic group whose poverty rates remain at or close to recession levels.

Poverty rates among Hispanics are sharply higher now than in the late 1970s as a result. Although measures of national economic conditions such as the unemployment rate were at about the same levels in 1987 as in 1978, Hispanic poverty rates were sharply higher in 1987 than in 1978.

- In 1978, some 21.6 percent of Hispanics lived in poverty. By 1987, this figure had increased by nearly one-third, to a rate of 28.2 percent.

- Both the black and white poverty rates also grew during this period, but by much smaller margins. (The white poverty rate grew from 8.7 percent to 10.5 percent, while the black rate increased from 30.6 percent to 33.1 percent).

- The Hispanic rate grew sharply during the recession of the early 1980s, then failed to decline significantly during the ensuing recovery. The Census Bureau has noted that there was no statistically significant change in the poverty rate for Hispanic families between 1982 and 1987, although there was a significant decline in the poverty rate for non-Hispanic families during this same period.

The sharp increase in Hispanic poverty since the late 1970s is due in part to a worsening poverty rate for Hispanic married-couple families.

- The poverty rate for Hispanic married-couple families grew by more than half from 1978 to 1987. In 1978, some 11.9 percent of those families -- fewer than one in eight -- were poor. In 1987, 18.1 percent -- nearly one in five -- were poor.

- By contrast, poverty rates for black and white married-couple families rose only slightly during this period. While the poverty rates for black and Hispanic married families were nearly identical in 1978, the rate is now far higher for Hispanics than for blacks. (The poverty rate for black married families was 12.3 percent in 1987.)

Poverty has grown at an especially rapid rate among Hispanic children.

- The number of poor Hispanic children grew by 211,000 from 1986 to 1987. Some 2.7 million Hispanic children were poor last year.

- From 1978 to 1987, poverty among Hispanic children soared. In 1978, some 27.2 percent of all Hispanic children were poor. In 1987, some 39.6 percent -- or two in every five -- were poor. The poverty rate for Hispanic children has increased by nearly half since 1978.

The poverty rate also rose significantly for elderly Hispanics last year.

- The rate for Hispanics aged 65 and over jumped from 22.5 percent in 1986 to 27.4 percent in 1987.

- The poverty rate for elderly Hispanics was not significantly different in 1987 than in 1978. By contrast, the poverty rate for elderly whites was lower in 1987 than in 1978.

Poverty rates have registered especially large increases among Hispanics without a high school diploma. Among Hispanic individuals aged 25 and over who did not finish high school, the poverty rate jumped from 25.3 percent in 1978 to 36.3 percent in 1987.

The rise in poverty since the late 1970s has affected all regions of the country.

- The Hispanic poverty rate in the South (which includes Texas, a state with a large Hispanic population) hit 31 percent last year, equal to or higher than the rate recorded for any year since the Census Bureau began collecting these data in 1976.

- The poverty rate for Hispanics in the Midwest also climbed substantially, from 17.4 percent in 1978 to 27.5 percent in 1987.

- The Hispanic poverty rate in the Northeast was 36.6 percent in 1987, and in the West it was 23 percent. While the West had the lowest regional poverty rate for Hispanics, it has the largest number of Hispanic poor because more Hispanics live in the West than in any other region. The poverty rate for Hispanics in the West had been 17.3 percent in 1978.

Poverty rates have increased especially sharply among Mexican-Americans. Puerto Ricans living on the U.S. mainland still have a higher poverty rate than any of the other Hispanic subgroups, however.

- The Mexican-American poverty rate has grown from 20.6 percent in 1978 to 28.3 percent in 1987. The rate was not significantly different in 1987 than during the recession of the early 1980s.

- The poverty rate for Puerto Ricans in the 50 states and the District of Columbia was 40.3 percent in 1987. While this was similar to the Puerto Rican poverty rate in 1978, it remains the highest poverty rate for any racial or ethnic group in the country.

Poverty rates are high for both Mexican-American and Puerto Rican children.

- Nearly two of every five Mexican-American children -- 37.5 percent -- were poor in 1987. By contrast, one in four (25.1 percent) were poor in 1978.

- More than half of Puerto Rican children (56.9 percent) were poor last year.

Not only have Hispanic poverty rates risen, but those Hispanic families who are poor have fallen deeper into poverty in recent years. Poor Hispanics are growing poorer.

- The average poor Hispanic family fell $4,043 below the poverty line in 1978. By 1987, the average poor Hispanic family fell $4,775 below the poverty line. (The poverty line in 1987 was $9,056 for a family of three.)

- One in every 12 Hispanic families had an income of less than $5,000 last year. By contrast, in 1978, one in every 22 Hispanic families had an income of less than $5,000. (The figures for years before 1987 are adjusted for inflation.)

Income Trends

As Hispanic poverty rates have climbed, Hispanic incomes have declined. The typical Hispanic family's income has dropped significantly over the past decade and now falls farther behind the income of the typical white family than at any other time on record.

- The income of the typical Hispanic family was $20,306 in 1987 -- or nearly $1,600 less than in 1978.

- While the income of the typical Hispanic family was falling during this period, the income of the typical white family was edging up by $276.

- As a result, median Hispanic family income equalled only 62.9 percent of median white family income last year. This is the lowest percentage on record since these data were first collected in 1972. (In 1978, by contrast, median family income for Hispanics equalled 68.4 percent of median family income for whites.)

The erosion in family income had a substantial impact on Hispanic married families.

- The income of the typical Hispanic married family fell nearly $1,000 from 1978 to 1987.

- In 1978, the income of the typical Hispanic married family equalled 75 percent of the income of the typical white married family. By 1987, this ratio had fallen to 69.9 percent.

Hispanics have benefitted far less from the economic recovery that began in 1983 than have whites or blacks. During the recovery, white families made up the ground they lost during the late 1970s and early 1980s. But Hispanic families made up only half the ground they lost.

- From 1978 to 1982, the income of the typical Hispanic family fell by 12.7 percent, after adjusting for inflation, compared to a 9.5 percent decline for white families and a 15.5 percent decline for black families.

- Since 1982, however, the income of the typical white family has grown 11.4 percent, and the income of the typical black family has increased 13 percent -- while the income of the typical Hispanic family has increased only 6.3 percent, or half as much.

- In the South, the income of the typical Hispanic family has failed to register any significant increase since 1982.

Nearly one of every four Hispanic families is female-headed, about twice the proportion of white families that are female-headed. Since female-headed families have much lower incomes than two-parent families, this is one of the reasons that the gap between Hispanic and white family incomes is so large. However, it does not explain why Hispanics have benefitted so much less during the economic recovery than whites, since the proportion of Hispanic families that are headed by a woman has grown little during the recovery period and increased by no more during this period than did the proportion of white families that are female-headed.

One factor that appears to be connected to the widening of the gap between Hispanic and white family incomes is the growing income gap between lower and upper income families in the nation as a whole. In 1987, this gap reached its widest point in 40 years.

- In 1986 and 1987, the poorest two-fifths of all American families received their smallest share of the national family income since the Census Bureau began collecting these data in 1947, while the wealthiest fifth of all families received the largest share of national income ever recorded.

- Six of every 10 Hispanic families fall into the poorest two-fifths of all U.S. families, while only about one in 10 are in the wealthiest fifth of all Americans.

- Since Hispanics are overrepresented among lower income families and underrepresented among wealthy families, the income disparities between Hispanics and non-Hispanics tend to grow when the gap between rich and poor widens in the United States.

Hispanic Employment and Earnings

The Hispanic unemployment rate has declined during the economic recovery and has returned to the pre-recession levels of the late 1970s. But this improvement in Hispanic unemployment has not been matched by a comparable improvement in Hispanic earnings, largely because the wages being paid to Hispanic workers have eroded and now fall well below the levels of the late 1970s.

- The Hispanic unemployment rate stood at 9.1 percent in 1978, rose to 13.8 percent during the recession in 1982, then declined to 8.8 percent in 1987.

- As a result, the increases in Hispanic poverty and decreases in Hispanic income since the late 1970s cannot be attributed to higher unemployment rates.

- Nor can these setbacks be attributed to declines in the proportion of Hispanic adults who are working or seeking employment. To the contrary, the proportion of adults either employed or looking for work is now higher for Hispanics than for either blacks or whites.

- Rather, the problem appears to be due, in part, to declines in wages earned by Hispanics. During the 1980s the earnings of Hispanic workers -- already low -- fell further.

- The median earnings of Hispanics working full-time fell from $321 a week in 1979 to $296 a week in 1987, after adjusting for inflation. This is a drop of $25 a week, or nearly eight percent.

- In 1979, the weekly earnings of the typical full-time Hispanic worker fell 21.1 percent below the earnings of the typical full-time white worker. By 1987, the Hispanic worker's earnings fell 26.1 percent behind his or her white counterpart.

- The decline in wages was especially marked among Hispanic men. Median earnings for Hispanic men working full-time fell from $368 a week in 1979 to $319 a week in 1987, after adjusting for inflation. This is a decline of $49 a week (about $2,500 on an annualized basis), or 13.3 percent. Data from the first half of 1988 suggest that a further drop is occurring this year.

- In 1979, the median weekly earnings of Hispanic men who worked full-time were 74 percent of the earnings of their white counterparts. By 1987, the figure had dropped to 68 percent.

Recent studies have found that there have been large income and earnings losses since the 1970s among young workers and among workers without any college education. These broad trends appear to have had especially adverse affects on Hispanics. Hispanics represent the youngest group in the U.S. population. (In 1986, the median age for Hispanics was 25, but for the U.S. population as a whole, it was 32.) Hispanics also represent the group with the fewest years of education. A recent study by the National Council of La Raza reported that only half of Hispanic adults 25 and over are high school graduates, as compared to more than three-quarters of whites and more than three-fifths of blacks. Only one in 10 Hispanics is a college graduate.

Hispanics have also been affected by the erosion in the value of the minimum wage. At $3.35 an hour, the minimum wage has remained unchanged since January 1981, while the Consumer Price Index has risen 38 percent. If the minimum wage had kept pace with inflation, it would have been close to $4.50 an hour last year.

Labor Department data show that 23.8 percent -- or nearly one in four -- of all Hispanic wage and salary workers earned less than $4.50 an hour in 1987. Most of these workers would presumably have had higher incomes if the minimum wage had kept pace with inflation. Some 17.2 percent of all U.S. workers earned less than $4.50 an hour last year, which indicates that the lack of any minimum wage increase in nearly eight years has affected Hispanics with somewhat greater severity than it has affected the general population.

Federal Budget Policy and Hispanics

Hispanic income levels and poverty rates were also affected by the budget reductions of the 1980s. In the early 1980s, when the principal federal budget reductions were made, the sharpest cuts were concentrated in programs for households with low incomes. Since many Hispanics have low incomes, the reductions in these programs had an adverse impact on the Hispanic community.

- Total appropriations for low income programs that are not entitlement have declined 55 percent from fiscal year 1981 to fiscal year 1989, after adjustment for inflation. This represents a drop of $48 billion below the FY 1981 levels for these programs. This group of programs includes various job training, health and social service, and housing programs, among others. (If subsidized housing is excluded, total appropriations for low income non-entitlement programs have declined 30 percent since fiscal 1981, after adjusting for inflation.)

- Several entitlement programs for poor families also were reduced significantly. For example, federal spending for food stamp benefits fell 15 percent from fiscal 1981 to fiscal 1987, after adjusting for inflation. The number of Americans living below the poverty line was 3.2 million greater in 1987 than in 1980, but the number of people receiving food stamps was 900,000 fewer. Some 12 percent of food stamp households are Hispanic.

- The Aid to Families with Dependent Children program has been marked by reductions in recent years at both federal and state levels. Federal

budget cuts in AFDC in 1981 eliminated more than half of the low income working families with children who had been receiving benefits. In addition, states have failed to keep AFDC benefits up with inflation, so that benefits for a family without other income are now 21 percent lower in the typical state than in 1979, and 33 percent lower than in 1970, after adjusting for inflation. Some 14 percent of AFDC families are Hispanic.

- In 1977, there were 78 children receiving AFDC for every 100 children living in poverty. In 1987, there were 58 children receiving AFDC for every 100 children living in poverty.

- Federal and state budget cuts have also affected the unemployment insurance program. In 1987, just 31.5 percent of the unemployed received unemployment insurance benefits in an average month. This represented the lowest coverage rate on record.

- For Hispanics, unemployment insurance coverage rates are even lower. Only about 16 percent of all unemployed Hispanics -- or about one in six -- received unemployment insurance in an average month in 1987.

The budget reductions in programs for people with low incomes disproportionately affected Hispanics.

- Hispanics are twice as likely as the general population to be poor. They thus have greater need of programs for the poor. While Hispanics comprise eight percent of the total U.S. population, they account for 17 percent of the poverty population and between nine percent and 18 percent of the beneficiaries of most low income programs.

- As a result, Hispanics are about twice as likely as the general population to be affected by reductions in these programs.

Recent data issued by the Census Bureau provide evidence that links the budget reductions to increases in Hispanic poverty, especially among families with children. The data show that government benefit programs now lift a substantially smaller proportion of Hispanic families out of poverty than they did in 1979 (the first year for which these data are available).

In 1979, more than one of every eight Hispanic families with children that would have been poor without government benefits was lifted out of poverty by these benefits. In 1987, fewer than one of every 14 such families was lifted out of poverty by government benefits.

I. HISPANIC POVERTY

Despite a fifth year of economic recovery in 1987, the poverty rate for Hispanic Americans remained at nearly the same level last year as during the recession of the early 1980s. Among non-Hispanics, by contrast, the poverty rate declined during the recovery.

Moreover, although both the national unemployment rate and the Hispanic unemployment rate were at about the same levels in 1987 as in the late 1970s, the Hispanic poverty rate was sharply higher in 1987 than it was in the late 1970s. During this period, poverty rates also rose for whites and blacks, but they rose much more for Hispanics than for the other groups. Poverty rates climbed at an especially rapid pace among Hispanics who are Mexican-American.

In addition, Hispanics who were poor became poorer during this period. The average poor Hispanic family now falls further below the poverty line than it did in the late 1970s.

High Poverty Rates Among Hispanics

The latest poverty data, released on August 31, 1988 by the U.S. Bureau of the Census, show that Hispanic poverty rates were very high in 1987.[1]

1. U.S. Department of Commerce, Bureau of the Census, *Money Income and Poverty Status in the United States: 1987*, August 31, 1988. The definition of "Hispanic" used in our report is the same as that used by the Bureau of the Census and includes persons stating that their national origin was Mexican, Puerto Rican, Cuban, Central or South American, or some other Spanish origin.

- Some 28.2 percent of all Hispanics -- more than one in every four -- lived in poverty in 1987. Despite continued economic recovery and a drop in the unemployment rate, the Hispanic poverty rate failed to decline in 1987.

- By contrast, the white poverty rate dropped from 11 percent in 1986 to 10.5 percent in 1987.[2]

- The number of poor Hispanics rose by 353,000 in 1987. There are now 5.5 million Hispanics living below the poverty line.

Hispanic poverty trends are especially disturbing when examined over a longer period. Hispanic poverty rates rose sharply in the late 1970s and early 1980s as the nation experienced back-to-back recessions. Hispanic poverty rates then failed to decline significantly as the economy recovered. *Hispanics are the only racial/ethnic group whose poverty rates remain at or close to recession levels.*

- From 1978 to 1982 (when the recession hit bottom), the Hispanic poverty rate jumped from 21.6 percent to 29.9 percent. Since 1982, the rate has not changed significantly.[3]

- By contrast, poverty rates for both whites and blacks have declined significantly since 1982. The white poverty rate declined in 1987 for the third time in the last four years and returned to its lowest level since 1980. The black poverty rate rose last year but remains significantly below recession levels.

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2. Persons of Hispanic origin, as classified by the Census Bureau, can be of any race, although the majority are white. Thus, the Census data for "white" persons and "white" families, as reflected in this report, include most Hispanics.

3. Some changes in poverty rates are so small that they are not "statistically significant." This means that when the margin of error resulting from the Census Bureau's sampling methods is taken into account, there actually may have been no real change in the rate. In its most recent report on Hispanic income and poverty trends, published in September 1988, the Census Bureau reported that "there has been no statistically significant change in the poverty rate for Hispanic families" between 1982 and 1987.

The state of Hispanic poverty in 1987 becomes of even greater concern when it is compared to Hispanic poverty in 1978. National economic conditions and unemployment rates were comparable in both years.[4] Yet the Hispanic poverty rate was much higher in 1987 than in 1978.[5]

- In 1978, 21.6 percent of Hispanic Americans lived in poverty. By 1987, this poverty rate had increased by nearly one-third, to 28.2 percent.

- Between 1978 and 1987, the white and black poverty rates grew by much smaller margins. The white poverty rate increased from 8.7 percent to 10.5 percent, while the black rate rose from 30.6 percent to 33.1 percent.

- The Hispanic poverty rate grew more than one and one-half times as fast as the white poverty rate from 1978 to 1987, and more than three times as fast as the black poverty rate.

The Census data do not identify the factors that have caused these sharp increases in Hispanic poverty. (A brief discussion of some factors or trends that appear to be associated with the increases in Hispanic poverty is found at the end of this chapter.)

Married-Couple Families

Some of the sharpest increases in poverty rates have occurred among Hispanic married-couple families. The poverty rates for these families now far surpass the poverty rates for white or black married-couple families.

- The poverty rate for Hispanic married-couple families grew by more than half from 1978 to 1987. In 1978, some 11.9 percent of these families -- or fewer than one in eight -- were poor. In 1987, 18.1 percent -- or nearly one in five -- were poor.

- In 1978, the poverty rates for black and Hispanic married-couple families were at about the same levels. But since 1978, the Hispanic rate has risen from 11.9 percent to 18.1 percent, while the black rate has edged up only from 11.3 percent to 12.3 percent. Similarly, the white married-couple poverty rate rose only from 4.7 percent to 5.2 percent during this period.

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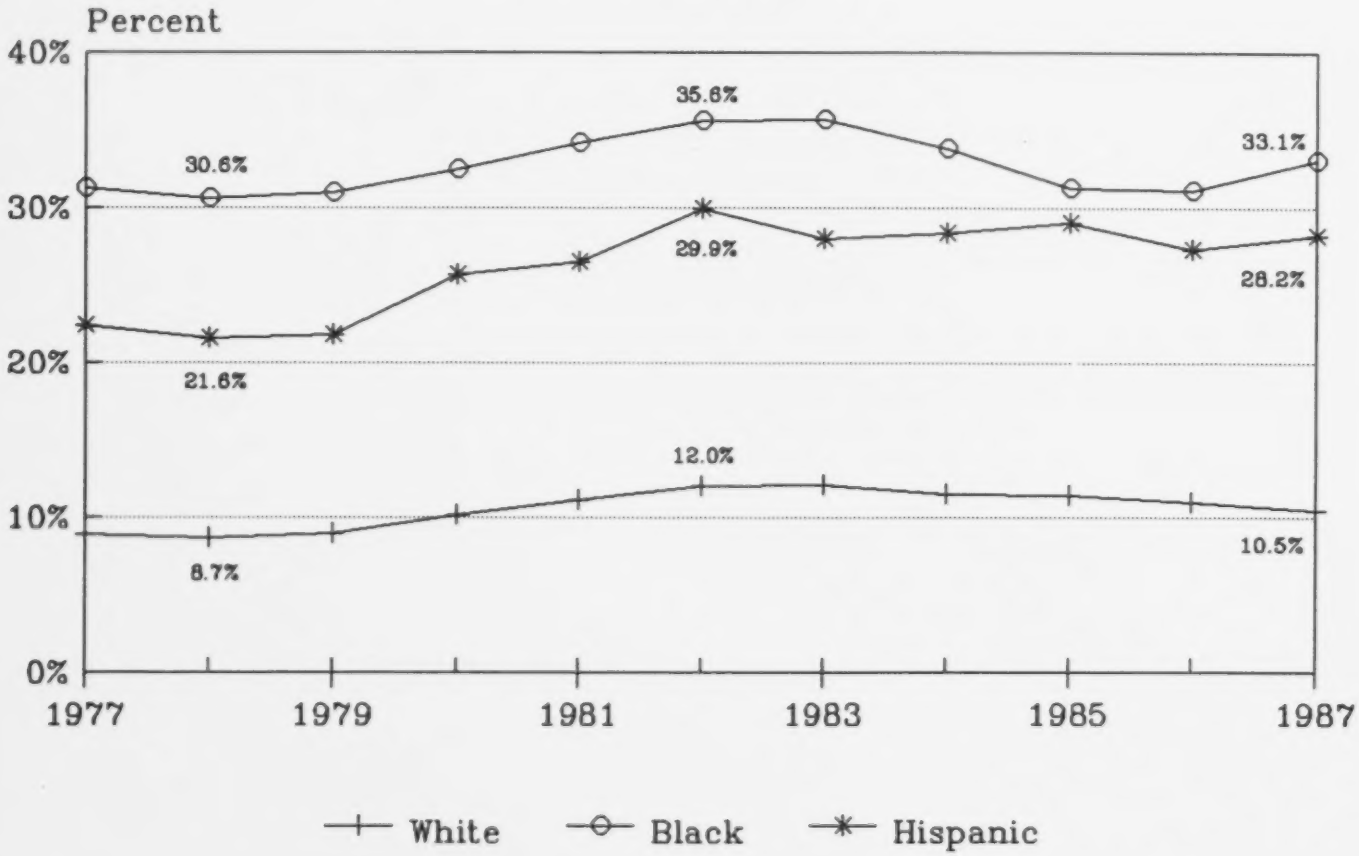
4. In 1987, the national unemployment rate was 6.2 percent. In 1978, it stood at 6.1 percent. Similarly, the Hispanic unemployment rate was 8.8 percent in 1987 and 9.1 percent in 1978.

5. It should be noted that the total Hispanic population of the United States, as recorded by the Census Bureau, increased substantially between 1978 and 1987. However, due to changes made since 1980 in how the Census Bureau analyzes its data on Hispanics, the *numbers* of Hispanic persons before and after 1980 are not comparable. This is true for both poor and non-poor Hispanics. The poverty *rates* of Hispanic persons before and after 1980 are comparable.

Figure 1

Poverty Rates by Race and Ethnic Origin



Source: Bureau of the Census

- The number of poor Hispanic married-couple families rose between 1986 and 1987 while the number of poor white married-couple families declined. (The number of poor black married-couple families remained essentially unchanged.)

- Hispanic married-couple families now are much more likely to be poor than are either black or white married-couple families. Nearly 580,000 married-couple Hispanic families were poor in 1987.

Female-Headed Families

The poverty rate for Hispanic female-headed families remains far higher than the rate for Hispanic married-couple families. However, the poverty rate for Hispanic female-headed families has remained fairly level since the late 1970s, while the poverty rate for married-couple families has increased.

- The poverty rate for Hispanic female-headed families was 51.8 percent in 1987. Hispanic female-headed families are nearly three times as likely to be poor as are Hispanic married-couple families.

- However, this 51.8 percent poverty rate for 1987 is not statistically different from the 53.1 percent rate for Hispanic female-headed families in 1978. While the poverty rate grew sharply among Hispanic married-couple families during this period, it did not increase further among female-headed families.

- In 1978, more than half (51.5 percent) of all poor Hispanic families were female-headed. By 1987, the number of poor Hispanic married-couple families exceeded the number of poor Hispanic female-headed families, as the proportion of poor families headed by a woman declined to 46.9 percent. Poverty among Hispanics became slightly less "feminized" during this period.

Hispanic Poverty By Age

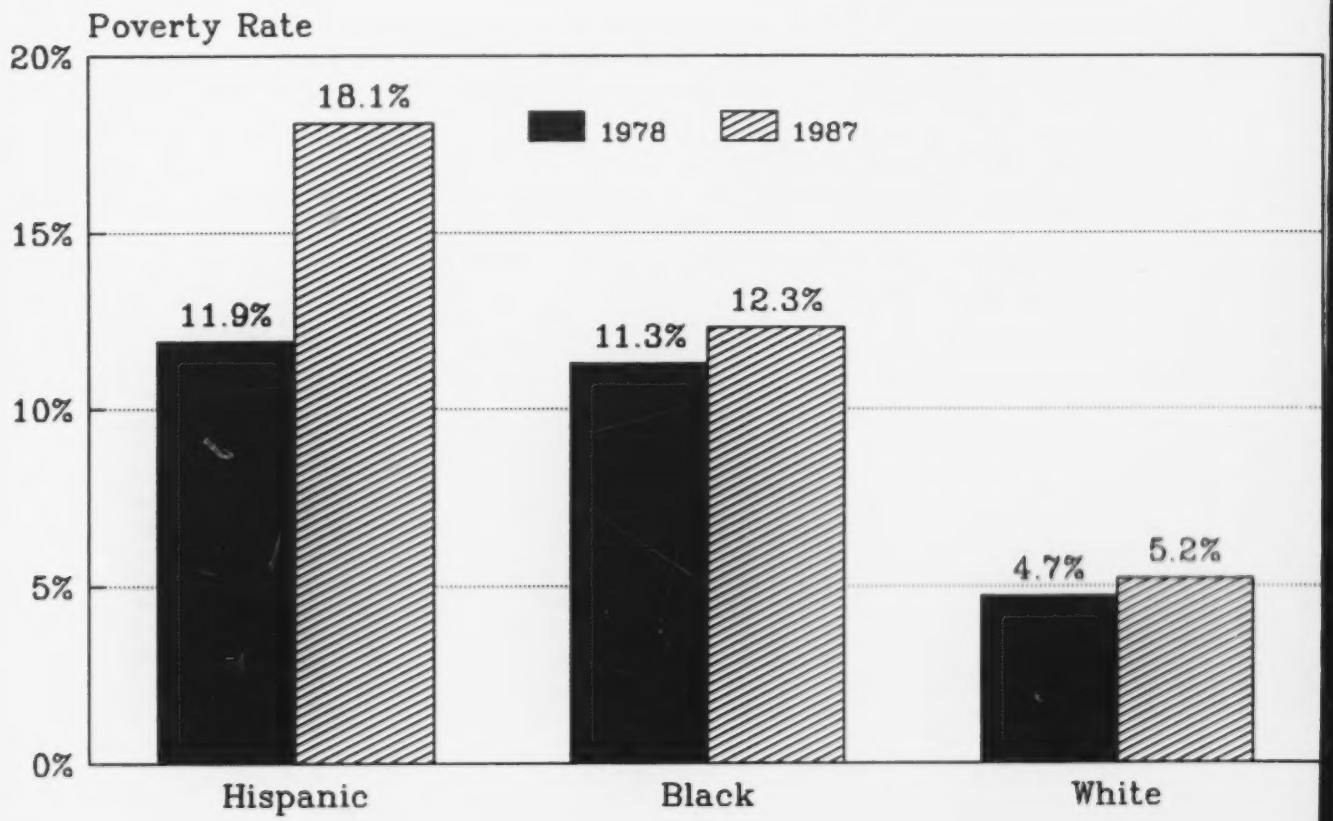
Poverty rates grew among Hispanic families in most age groups.

- The poverty rate for young Hispanic families (families in which the household head is aged 15-34) rose from 24.6 percent in 1978 to 30.9 percent in 1987.

- Hispanic families in which the household head is aged 35-54 also suffered a substantial increase in poverty -- from 17.4 percent in 1978 to 23.3 percent in 1987.

Figure 2

Poverty Rates of Married Couple Families By Race and Ethnic Origin



Source: Bureau of the Census

Poverty rates grew at an especially rapid pace among Hispanic children.

- By 1978, some 27.2 percent of all Hispanic children were poor. In 1987, 39.6 percent were poor. *The poverty rate for Hispanic children increased by nearly half since 1978.*[6]

- As a result, 2.7 million Hispanic children -- or two in every five -- lived in poverty in 1987.

- Poverty rates are especially high for Hispanic children in female-headed families. The poverty rate for these children was 70.1 percent in 1987. (The 1978 rate, 68.9 percent, was not statistically different from the rate in 1987.)

- The number of poor Hispanic children rose by 211,000 just between 1986 and 1987.

The poverty rate also increased in 1987 for those at the other end of the age spectrum -- the Hispanic elderly (those age 65 and over).

- The poverty rate for elderly Hispanics rose significantly last year, climbing from 22.5 percent in 1986 to 27.4 percent in 1987. Nearly 250,000 elderly Hispanics lived below the poverty line last year.

- The poverty rate for elderly Hispanics was not significantly different in 1987 than it had been in 1978. By contrast, the poverty rate for elderly whites was lower in 1987 than in 1978.

Poverty and Education

Poverty rates climbed substantially among those Hispanics who lack a high school diploma. The poverty rate for Hispanic household heads aged 25 and over who did not complete high school rose from 25.3 percent in 1978 to 36.3 percent in 1987. More than one of every three Hispanic heads-of-household without a high school diploma now lives in poverty.

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6. These poverty data are for related children under 18 living in families and unrelated subfamilies.

Hispanic Poverty Rates, 1978-1987

	1978	1986	1987
All persons	11.4%	13.6%**	13.5%
Hispanics	21.6	27.3**	28.2
Whites	8.7	11.0	10.5
Blacks	30.6	31.1	33.1
Hispanic children	27.2	37.4**	39.4
Hispanic married couple families	11.9	16.6**	18.1
Hispanic female-headed families	53.1*	51.2**	51.8
Hispanic families			
Head 15-34	24.6	31.8**	30.9
Head 35-54	17.4	20.8**	23.3
Head 55+	16.9*	17.7**	20.1
Hispanics by educational level***			
Some college education	6.9*	6.3**	7.8
High school graduate	12.6*	17.3**	16.4
Drop-out	25.3	33.6**	36.3
Elderly Hispanics (age 65 and over)	23.2*	22.5	27.4

*Change from 1978 to 1987 not statistically significant.
**Change from 1986 to 1987 is not statistically significant.
***Household heads aged 25 and over.

Midwest and South Hardest Hit

Hispanic poverty rates have risen in all regions of the country in recent years.[7]

- The Hispanic poverty rate reached 31 percent in the South last year, equal to or higher than the rate recorded for Hispanics in the South in any year since the Census Bureau first began collecting these regional data in 1976.
- The Hispanic poverty rate in the South has increased by one-third since 1978. The rate was 21.9 percent that year.
- The Hispanic poverty rate has also risen sharply in the Midwest, from 17.4 percent in 1978 to 27.5 percent in 1987. However, because the total number of Hispanics living in the Midwest is much smaller than the number in any other region, the number of poor Hispanics is much lower in the Midwest than in the other regions.
- The highest Hispanic poverty rate is found in the Northeast, where 36.6 percent of all Hispanics were poor in 1987, reflecting very high poverty rates among Puerto Ricans living in this region.
- The lowest Hispanic regional poverty rate is in the West. Still, 23 percent of Hispanics in the West were poor in 1987, up from 17.3 percent in 1978. In addition, because the Hispanic population is much larger in the West than in any other region, the number of poor Hispanics is greater in the West than in any other region.

Hispanic Poverty by Region, 1987

Region	Poverty Rate	Number of Poor
Northeast	36.6%	1,232,000
Midwest	27.5	366,000
South	31.0	1,910,000
West	23.0	1,962,000

7. There are four regions as designated by the Census Bureau: the Northeast (which extends down to Pennsylvania and New Jersey); the Midwest (which includes Kansas, Nebraska, North Dakota and South Dakota along with the other Midwestern states); the South (which extends from Maryland and Delaware to Texas and Oklahoma); and the West.

Poverty Among Hispanic Subgroups

The Hispanic poverty rates cited above cover the entire Hispanic-American population, including Mexican-Americans, Puerto Ricans, Cubans, and other Hispanic groups.[8] Poverty rates vary widely among these groups.

Poverty rates for Mexican-Americans have increased sharply in recent years, although poverty rates are still highest for Puerto Ricans.

- The Puerto Rican poverty rate was 40.3 percent in 1987, meaning that two of every five Puerto Ricans lived in poverty last year. Based on available data, this is the highest poverty rate for any racial/ethnic group in the U.S.[9] (By way of comparison, the black poverty rate was 33.1 percent last year.)

- The Mexican-American poverty rate was 28.3 percent in 1987. This was far above its 1978 level of 20.6 percent.

- The poverty rate for Mexican Americans was not significantly different in 1987 than during the recession of the early 1980s. It appears that Mexican Americans -- or at least lower income Mexican Americans -- are being left behind by the economic recovery.

Poverty rates also climbed for Mexican-American children.

- Nearly two of every five Mexican-American children -- 37.5 percent -- were poor in 1987. By contrast, one in four (25.1 percent) were poor in 1978. The poverty rate for Mexican-American children increased by half during this period.

- The child poverty rate remains highest among Puerto Rican children. More than half -- 56.9 percent -- of Puerto Rican children were poor last year.

Data are not available on the percentages of Cuban or Central and South American people (or children) who are poor. However, data are available on the percentages of Cuban and Central and South American *families* that are poor. When the family data are examined, they show marked variations among Hispanic subgroups.

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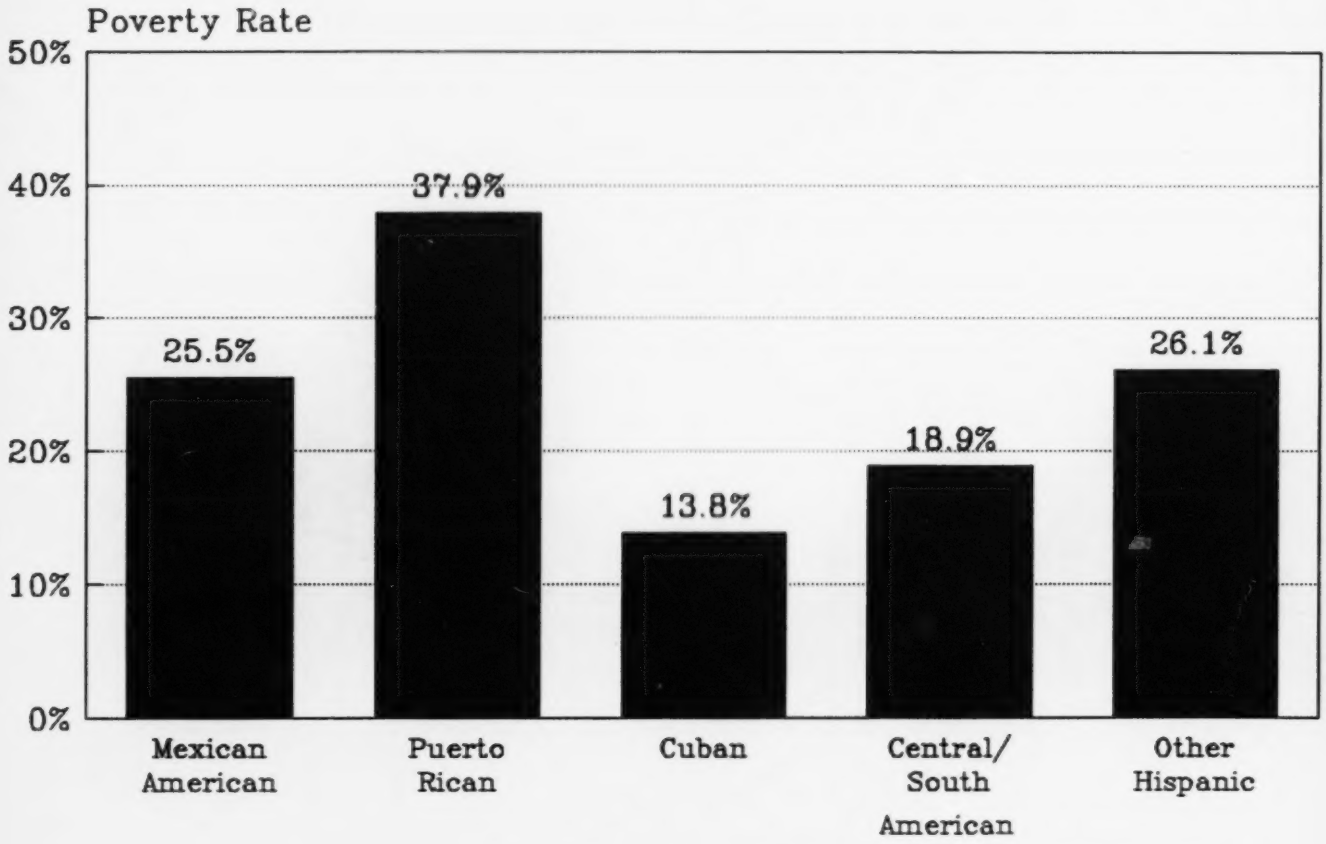
8. There were 19.1 million Hispanics in 1987, of whom 62 percent were of Mexican origin, 13 percent of Puerto Rican origin, 11.5 percent of Central and South American origin, five percent of Cuban origin, and eight percent of other Hispanic origin. As used in this report, Puerto Rican refers to residents of the 50 states and the District of Columbia and does not include residents of the Commonwealth of Puerto Rico.

9. Data are available on whites, blacks, Hispanics as a group, Mexican Americans, Puerto Ricans, and other Hispanics (i.e., those not Mexican-American or Puerto Rican).

Figure 3

Hispanic Family Poverty, 1987 By National Origin



Source: Bureau of the Census

- Puerto Rican families have the highest family poverty rate -- 37.9 percent in 1987.

- Among Mexican-American families, the poverty rate was 25.5 percent in 1987 (which represented a substantial increase from its 1978 level of 18.6 percent).

- The poverty rate for Central and South American families in the U.S. was 18.9 percent in 1987.

- Cuban families had the lowest poverty rate of the Hispanic subgroups. Some 13.8 percent of Cuban families were poor last year.

- Among "other" Hispanic families -- those not Mexican-American, Puerto Rican, or Central or South American -- the poverty rate was 26.1 percent in 1987. This group of Hispanics experienced the most rapid increase in poverty over the past nine years. Their poverty rate more than doubled between 1978 and 1987, rising from 12.3 percent to its current level.

As noted above, Hispanic poverty rates are especially high among female-headed families and families headed by a person who is not a high school graduate. In virtually all of the Hispanic subgroups, poverty rates are now at high levels for these types of families.

- Over half of all Puerto Rican families headed by a person who is not a high school graduate and nearly two-thirds of all Puerto Rican families headed by a woman were poor in 1987.

- One third of all Mexican-American families headed by a non-high school graduate and nearly half of all Mexican-American families headed by a woman were poor last year.

- One of every four Cuban families headed by a non-high school graduate was poor in 1987.

Poor Hispanics Are Growing Poorer

Not only have Hispanic poverty rates risen, but those Hispanic families that are poor have fallen deeper into poverty in recent years. The Census data show that poor Hispanics are growing poorer.

- In 1978, the average poor Hispanic family fell $4,043 below the poverty line.[10]

- By contrast, in 1987 the average poor Hispanic family fell $4,775 below the poverty line. (The poverty line was $9,056 for a family of three in 1987.)

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10. These figures are adjusted for inflation and expressed in 1987 dollars.

Poverty Rates by Family, 1987

	All Families	Family Head Not Not A High School Graduate	Female-Headed Family
All Hispanics	25.8%	36.4%	51.8%
Mexican-Americans	25.5	34.6	47.1
Puerto-Ricans	37.9	52.1	65.3
Cubans	13.8	24.6	N/A
Central and South Americans	18.9	30.9	38.3
Other Hispanic	26.1	37.7	59.2

Other ways of examining the increasing severity of Hispanic poverty include looking at changes over time in the income of the typical (or median) poor Hispanic family and in the proportion of Hispanic families with very low income levels.

- The income of the typical poor Hispanic family fell from $7,238 in 1978 to $6,557 in 1987, after adjusting for inflation, a decline of nearly 10 percent.[11]

- Similarly, in 1978, only one in every 22 Hispanic families had an income of less than $5,000. In 1987, one in every 12 Hispanic families had an income this low.[12]

Factors Affecting Worsening Hispanic Poverty Rates

The Census data do not identify the particular factors that may have contributed to the increases in Hispanic poverty in recent years. Identifying these factors is a matter that is

11. The typical (or median) poor Hispanic family is the family whose income level places it exactly in the middle of the income distribution of all poor Hispanic families. Half of all poor Hispanic families have incomes below that of the typical (or median) Hispanic family, while the other half of poor Hispanic families have incomes exceeding that of the typical family.

12. Income levels for 1978 are adjusted for inflation and expressed in 1987 dollars.

subject to some interpretation.[13] Factors or trends that are associated with the increases in Hispanic poverty appear to include the following:

- Wages for Hispanic workers have fallen in the 1980s and now lag further behind wages paid to white workers than at the end of the 1970s. This issue is discussed in Chapter III of this report.

- The gap between upper income and lower income families has widened in the U.S. in recent years. A far larger proportion of Hispanics fall into the lower than into the upper income groups; as a result, Hispanics are adversely affected when the rich-poor gap widens. This matter is discussed further in Chapter II.

- The federal and state budget reductions made in programs for low income families in recent years have had a disproportionate impact on Hispanics. Since Hispanics have a higher poverty rate than the U.S. population as a whole, they are affected to a greater degree when programs for the poor are reduced. Chapter IV explores this issue.

- Recent studies have shown that incomes have fallen sharply in recent years for young adults and young families.[14] Hispanics constitute the youngest ethnic or racial group in the U.S. population and are likely to have been affected harshly by this economic trend. In 1986, the median age among Hispanic-Americans was 25.1 years, compared to 32.6 years for non-Hispanics.[15]

- In recent years, poverty rates have risen sharply among those who lack a college education and especially among those without a high school diploma. As reported in a recent study by the National Council of La Raza, only about half of Hispanic adults 25 and over are high school graduates, compared to more than three-quarters of whites and more than three-fifths of blacks. Only about one in 10 Hispanics is a college graduate, compared to one in nine blacks and one in five whites.

- Immigration is likely to have contributed to increased poverty rates among Hispanics. If Hispanics newly immigrating to the U.S. have lower incomes and higher poverty rates than Hispanics already here, the effect of the immigration can be to raise the overall Hispanic poverty rate.

- Increases in the proportion of Hispanic families headed by a woman contributed to higher poverty rates although the deteriorating economic conditions of Hispanic

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13. For a recent discussion of these issues, see Emily Gantz McKay, *Changing Hispanic Demographics*, National Council of the La Raza, August 1988.

14. Congressional Budget Office, *Trends in Family Income: 1970-1986*, February 1988; Clifford M. Johnson, Andrew M. Sum and James D. Weill, *Vanishing Dreams: The Growing Economic Plight of America's Young Families*, Children's Defense Fund and the Center for Labor Market Studies at Northeastern University, September 1988.

15. McKay, *op. cit.*

married families appears to be a more important factor.[16] As discussed in Chapter II, median family income has fallen significantly since 1978 for Hispanic married-couple families, but has not fallen during this period for Hispanic female-headed families.

16. Between 1978 and 1987, the proportion of Hispanic families headed by a female rose from 19.8 percent to 23.4 percent. Most of this increase occurred between 1978 and 1982.

II. HISPANIC INCOME

The income of the typical Hispanic family has dropped significantly over the past decade, as Hispanic families benefitted much less from the economic recovery than did other groups. The income of the typical Hispanic family now falls further below the income of the typical white family than at any other time on record.

- Overall economic conditions were similar in 1987 to what they had been in 1978: the national and Hispanic unemployment rates were about the same in both years, and the income of the typical American family was nearly the same in both years. Yet the income of the typical Hispanic family was significantly lower in 1987 than it had been in 1978.

- The income of the median -- or typical -- Hispanic family was $20,306 in 1987. By contrast, in 1978, the income of the typical Hispanic family was $21,891, or nearly $1,600 higher, after adjusting for inflation.[1]

- While the income of the typical Hispanic family was falling by nearly $1,600, or more than seven percent, from 1978 to 1987, the income of the typical white family was rising by $276, about one percent.[2] The income of

1. The typical (or median) Hispanic family is the family whose income places it exactly in the middle of the income distribution. Half of all Hispanic families have incomes below that of the typical (or median) family, while the other half of Hispanic families have incomes exceeding that of the typical family.

2. Since most Hispanics are white, the data presented here on white family income levels include Hispanic families. Income data just for non-Hispanic whites would show that the income gaps between Hispanic families and non-Hispanic white families are even larger -- and have grown more rapidly -- than the income gaps discussed here between Hispanic families and white families overall.

Median Family Income for Hispanic and White Families

	1978*	1982*	1987	Change in Dollars, 1978-1987
All families				
Hispanic	$21,891	$19,107	$20,306	- $1,585
White	31,998	28,969	32,274	+ 276
Married-couple families				
Hispanic	25,643	22,769	24,677	- 966
White	34,211	31,135	35,295	+ 1,084
Female-headed families				
Hispanic	9,717	8,755	9,805	+ 88
White	17,266	15,891	17,018	- 248

*Adjusted for inflation to 1987 dollars.

the typical black family fell during this period, but by much less ($854, or 4.5 percent) than the income of the typical Hispanic family.

- In 1987, the income of the typical Hispanic family equalled 62.9 percent of the income of the typical white family -- the lowest percentage on record since these data were first collected in 1972.

- By contrast, in 1978, the income of the typical Hispanic family equalled 68.4 percent of the income of the typical white family.

Median Hispanic Family Income As A Percentage of Median White Family Income

	1978	1982	1987
All families	68.4%	66.0%	62.9%
Married-couple families	75.0	73.1	69.9
Female-headed families	56.3	55.1	57.6

The erosion in family income had a significant impact on Hispanic married-couple families.

- The income of the typical Hispanic married-couple family dropped nearly $1,000 from 1978 to 1987. During the same period, the income of the typical white married-couple family rose by more than $1,000. (The income of the typical black married-couple family fell by about $500 during this period.)

- In 1978, the income of the typical Hispanic married couple family equalled 75 percent of the income of the typical white married couple family. By 1987, the ratio had fallen to 69.9 percent.

- The income of the typical Hispanic female-headed family was about the same in 1987 as it had been in 1978. The income gap between white and Hispanic female-headed families also stayed about the same during this period. (The income of the typical Hispanic female-headed family equaled 56.3 percent of the income of its white counterpart in 1978, and 57.6 percent in 1987.)

Hispanic families suffered income losses during this period in all regions except the Northeast, with the sharpest declines occurring in the South. In the South (which includes Texas, a state with a large Hispanic population), the income of the typical Hispanic family was as low in 1987 as during the depth of the recession in 1982.

Median Family Income by Region, 1987

	Income Level	Hispanic Family Income As A Percentage of White Family Income
Northeast		
Hispanic	$16,750	47.5%
White	35,262	
Midwest		
Hispanic	21,985	68.4
White	32,149	
South		
Hispanic	18,798	61.2
White	30,729	
West		
Hispanic	22,142	68.1
White	32,521	

One reason Hispanic families now fall further behind white families is that Hispanics have benefitted less than whites from the economic recovery that began in 1983. During the recovery, white families have made up ground they lost during the years of high inflation in the late 1970s and of back-to-back recessions in the early 1980s. By contrast, Hispanic families have made up only *half* of the ground they lost.

- From 1978 to 1982, the income of the typical Hispanic family fell by 12.7 percent, after adjusting for inflation, compared to a 9.5 percent decline for white families and a 15.5 percent decline for black families.

- Since 1982, however, the income of the typical white family has grown 11.4 percent and that of the typical black family has increased 13 percent. But the income of the typical Hispanic family has risen a scant 6.3 percent, or only half as much.[3]

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3. Since 1982, the Bureau of the Census has adjusted the data on Hispanics to eliminate random fluctuations in estimates of the size of the Hispanic population. This means that population counts from the years before 1982 may not be comparable to figures for 1982 and later years. This adjustment should not affect estimates of median income, however.

- The slower economic progress since 1982 among Hispanics can not be attributed to greater increases in female-headed family formation among Hispanics. From 1982 to 1987, the proportion of families headed by a woman grew slowly among whites, blacks, and Hispanics alike, and actually grew a bit less among Hispanics than among whites.

It should also be noted that nearly one fourth (23.4 percent) of Hispanic families are female-headed, about twice the proportion of white families that are female-headed. Since female-headed families have much lower incomes than married-couple families, this accounts for some of the gap between Hispanic and white family incomes. However, it can not account for much of the widening of the gap between Hispanic and white families that has occurred in recent years.[4]

Hispanic Income Levels by Country of Origin

Among Hispanic families, Puerto Rican families[5] have the lowest incomes, while Cuban families have the highest.

- The income of the typical Puerto Rican family was $15,185 last year.
- The typical Cuban family had an income of $27,294, nearly twice as high.
- The income of the typical Mexican-American family was $19,968. More than half of all Hispanic families are Mexican-American.

Widening Gaps Between Rich and Poor

The widening of the gap between the incomes of Hispanic and white families has occurred at the same time that the gaps between lower income and upper income families in the nation as a whole have grown. In 1987, the gap between rich and poor families in the U.S. reached its widest point in 40 years.

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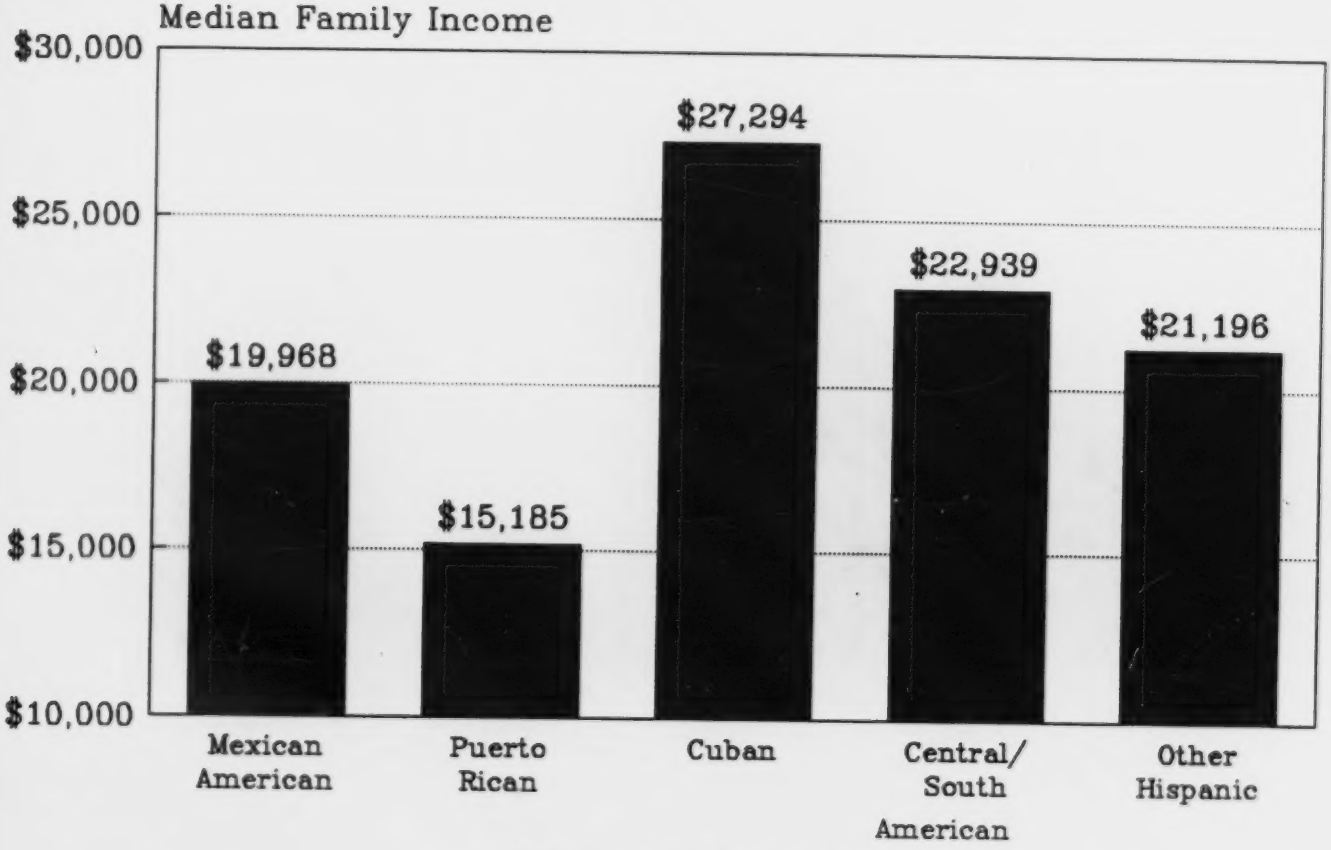
4. As noted, the income gap has increased substantially in recent years between Hispanic and white married couple families, while staying about the same between Hispanic and white female-headed families. Moreover, the proportion of families headed by a female has risen slightly more since 1982 among whites than among Hispanics, and the 1982-1987 period is the time during which the income gap between whites and Hispanics widened most. At the same time, the proportion of families headed by a woman did rise more among Hispanics than among whites from 1978 to 1982. Increases in female-headed family formation appear to be one of the factors behind the greater income losses among Hispanics than among whites during the years from 1978 to 1982.

5. As used here, Puerto Rican families means families residing in the 50 states and the District of Columbia, and does not include families residing in the Commonwealth of Puerto Rico.

Figure 4

Hispanic Median Family Income, 1987 By National Origin



Source: Bureau of the Census

- In both 1986 and 1987, the poorest two-fifths of all American families received 15.4 percent of all family income, the lowest percentage recorded since the Census Bureau first began collecting these data in 1947.

- Six out of every ten Hispanic families (59.5 percent) have incomes that place them in the poorest two-fifths of all families.

- By contrast, the richest fifth of all families received 43.7 percent of all family income in 1986 and 1987, the highest percentage on record.

- No more than 11 percent of Hispanic families have incomes that place them in the richest fifth of all families.

Since Hispanics are overrepresented among lower income American families and underrepresented among wealthy families, income disparities between whites and Hispanics tend to grow when the gap between rich and poor widens in the nation as a whole.

III. HISPANIC EMPLOYMENT AND EARNINGS

The unemployment rate for Hispanic-Americans rose sharply during the recession of the early 1980s, then declined during the ensuing economic recovery, following the pattern for the nation as a whole. By 1987, the Hispanic unemployment rate had dropped back to about the same level as in 1978.

The recent improvements in Hispanic employment have not been matched, however, by comparable improvements in earnings. Wage levels for Hispanics working full-time, especially Hispanic working men, have eroded and now fall well below 1979 levels. The decline in wage levels paid to Hispanic workers is one of the reasons Hispanic poverty rates are higher -- and Hispanic family income levels lower -- than in the late 1970s.

Unemployment Rates

- The Hispanic unemployment rate was 8.8 percent in 1987, slightly below its 9.1 percent level in 1978. The Hispanic unemployment rate rose to 13.8 percent in 1982 when the economy was in a deep recession, but subsequently returned to the levels of the late 1970s.

- The Hispanic unemployment rate is about 60 percent higher than the white unemployment rate.[1] This ratio has held through most of the past decade.

1. Because most Hispanic-Americans are white, they are included in the figures presented here on unemployment, labor force participation, and earnings among whites. Data for non-Hispanic whites would show that the gaps between Hispanics and non-Hispanic whites are even greater than the gaps outlined here between Hispanics and the white population as a whole.

Unemployment rates vary widely among Hispanics by country of origin. Cubans have traditionally had the lowest unemployment rate of such Hispanic subgroups, while Puerto Ricans have traditionally had the highest unemployment rate.[2] During the first half of 1988, however, the Mexican-American unemployment rate surpassed the Puerto Rican unemployment rate and represented the highest rate for any of these three Hispanic subgroups.

- In 1987, the unemployment rate for Cubans was 5.2 percent, about the same as the rate for white Americans overall. The Puerto Rican unemployment rate -- at 10.1 percent -- and the Mexican American rate -- at 9.9 percent -- were nearly twice as high.

- During the first half of 1988, the Puerto Rican unemployment rate dropped significantly, falling to 8.1 percent. (This continued the sharp drop in Puerto Rican unemployment that occurred from 1986 to 1987; during that period, the Puerto Rican unemployment rate fell from 14 percent to 10.1 percent.)

- By contrast, the Mexican-American unemployment rate failed to decline at all in the first half of 1988, averaging 9.9 percent. 1988 is expected to be the first year on record in which the unemployment rate for Mexican-Americans is higher than the rate for any of these other Hispanic subgroups.

Labor Force Activity

As discussed in Chapter II, income levels for Hispanic families are well below the levels for white families overall. This is not because Hispanics do not wish to work. To the contrary, labor force participation -- that is, the proportion of adults who are either employed or seeking employment -- is now higher for Hispanics than for whites (or for blacks). Hispanic men have especially high labor force participation rates.

- In 1987, some 81 percent of Hispanic men worked or sought work, a higher percentage than for either white or black men. Among white men, 77 percent worked or sought employment; among black men, the figure was 71 percent.

- During the 1980s, the gap between the labor force participation rates for Hispanic men and white men widened a bit. The labor force participation rate for Hispanic men now exceeds the rate for white men by a sightly greater margin than at the beginning of the decade.

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2. As used here, "Puerto Ricans" refers to Puerto Ricans residing in the 50 states and the District of Columbia and does not include residents of the Commonwealth of Puerto Rico.

- In 1987, some 52 percent of Hispanic women participated in the labor force. While this is a lower labor force participation rate than the rates for white and black women, the labor force participation rate for Hispanic women has grown considerably in the 1980s and is fairly close to the rate for white women (which was 55.7 percent in 1987).

- Some 66.4 percent of all Hispanic adults (both men and women) were in the labor force in 1987. The comparable figure was 65.8 percent for whites (and 63.8 percent for blacks).

Earnings

The decline in Hispanic family income from the late 1970s to 1987 *cannot* be attributed to increases in Hispanic unemployment from 1978 to 1987 or to reductions in labor force participation. As indicated, the Hispanic unemployment rate was slightly lower last year than in the late 1970s, while labor force participation was higher.

An examination of wage levels for Hispanics working full-time presents a very different story, however. Declines in wage levels do appear to be a major factor in the economic slippage of Hispanic families in recent years.

During the 1980s, the earnings of Hispanic workers -- already low -- fell further. The earnings of Hispanic workers now lag further behind the earnings of white workers than they did in 1979.[3]

- The median earnings of Hispanics working full-time fell from $321 a week in 1979 to $296 a week in 1987, after adjusting for inflation. This represents a drop of $25 a week -- or eight percent.[4]

- In 1987, the weekly earnings of the typical full-time Hispanic worker were 26.1 percent below the earnings of the typical full-time white worker. In 1979, the earnings of the full-time Hispanic worker fell 21.1 percent behind the earnings of his or her white counterpart. The gap between the earnings of Hispanics and whites widened considerably during the 1980s.

The decline in earnings has been concentrated among Hispanic men.

- Median earnings for Hispanic men working full-time were $319 a week in 1987, down sharply from $368 a week in 1979, after adjusting for inflation. This is a drop of $49 a week (or more than $2,500 a year on an annual basis), which represents a decline of 13.3 percent. Data from the first half of 1988 suggest that a further drop is occurring this year.

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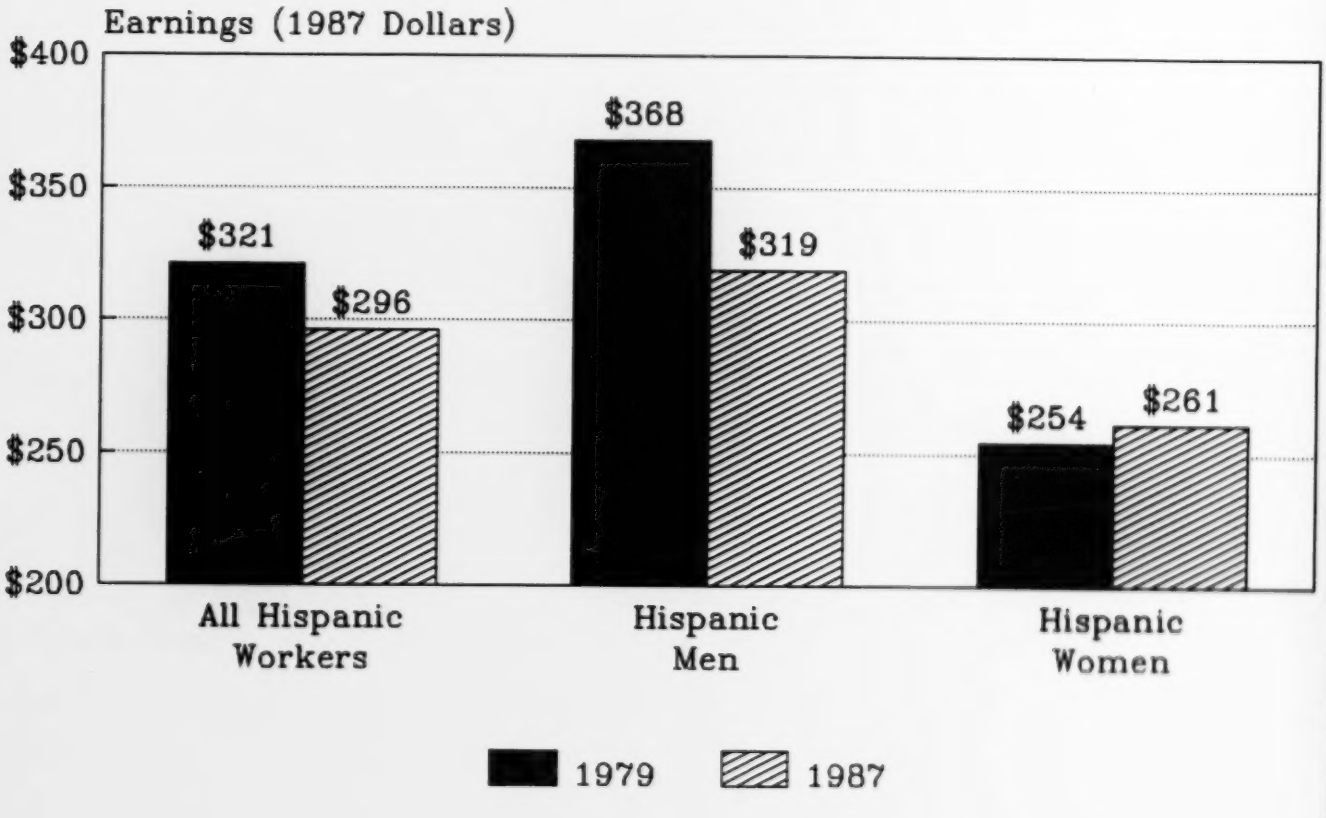
3. "Median earnings" are the earnings of a worker who falls exactly in the middle of the earnings distribution. Thus, half of all workers earn less than the median worker, while half earn more.

4. These earnings data are only available back to 1979.

Figure 5

Hispanic Median Weekly Earnings (Full–Time Wage and Salary Workers)



Source: Bureau of the Census

- In 1979, the median weekly earnings of Hispanic men who worked full-time equalled 74 percent of the median earnings of white men who worked full-time. By 1987, the median earnings of Hispanic men working full-time had slipped to 68 percent of the earnings of their white counterparts.

- The median weekly earnings of Hispanic women working full-time edged up slightly during the 1980s, increasing from $254 a week in 1979 to $261 a week in 1987, after adjusting for inflation. This paralleled a similar small increase in the earnings of white women working full-time. In 1979, the median earnings of Hispanic women working full-time equalled 83 percent of the median earnings of white women working full-time. In 1987, this figure stood at 82 percent, or nearly the same level.

- It should be noted, however, that the median weekly earnings of Hispanic women working full-time remain lower than the earnings of any other population group (i.e., they are lower than the earnings of white men or women, black men or women, and Hispanic men).

Hispanic workers appear to have been especially adversely affected by trends in the general economy that have led to large decreases since the 1970s in the earnings of young workers and of workers without any college education. Hispanics represent the youngest group in the U.S. population, with a median age of just 25.1 in 1986. They also represent the group with the fewest years of education (see Chapter I).

- A recent study by the Children's Defense Fund and the Center for Labor Market Studies at Northeastern University found that the median annual earnings of Hispanic family heads under age 30 fell by 30 percent between 1973 and 1986, after adjusting for inflation.

- The study found that Hispanics with the least education suffered the greatest earnings declines. The median earnings of Hispanic family heads under age 30 without a high school diploma fell 41 percent from 1973 to 1986. Median earnings for young Hispanic family heads who graduated from high school but did not attend college dropped 27 percent during this period.[5]

Hispanics have also been affected by the sharp erosion in the value of the minimum wage. The minimum wage of $3.35 an hour has not been raised since 1981, which constitutes the longest stretch without an increase in the minimum wage since the wage floor was established in 1938. The Consumer Price Index has increased 38 percent since January 1981, meaning that the purchasing power of the minimum wage has eroded badly over this period.

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5. Clifford M. Johnson, Andrew M. Sum, and James D. Weill, *Vanishing Dreams: The Growing Economic Plight of America's Young Families*, The Children's Defense Fund and the Center for Labor Market Studies at Northeastern University, September, 1988, pp. 66-67.

In most years of the 1960s and 1970s, full-time work at the minimum wage lifted a family of three out of poverty. Today it leaves a family of three some $2,500 below the poverty line.

The fall in the minimum wage has affected the earnings of a substantial proportion of Hispanic workers. If the minimum wage had kept pace with inflation and had provided the same purchasing power in 1987 as it did in the average year of the 1960s and 1970s, it would have been at $4.50 last year. As a result, workers who earned less than $4.50 an hour last year were affected by the failure of the wage to keep up with inflation. Labor Department data show that 23.8 percent -- nearly one in four -- of all Hispanic wage and salary workers earned less than $4.50 an hour in 1987. Most of these workers would presumably have had higher incomes if the minimum wage had kept pace with inflation.[6]

By contrast, 17.2 percent of all U.S. workers earned less than $4.50 an hour last year. The lack of an increase in the minimum wage in nearly eight years thus has affected Hispanics with somewhat greater severity than it has affected the general population.

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6. It bears noting that Hispanic workers are likely to be overrepresented among individuals employed in jobs that are exempt from minimum wage coverage.

IV. FEDERAL BUDGET POLICY IN THE 1980s: ITS EFFECT ON HISPANIC AMERICANS

In the early 1980s, when the decade's principal federal budget reductions were made, the sharpest cuts were concentrated in programs for low-income households. Appropriations for many individual low-income programs that are not entitlements were reduced sharply; total appropriations for low-income non-entitlement programs (which include many job training, health and social services, and low-income housing programs) fell by more than 50 percent between fiscal years 1981 and 1989, after adjustment for inflation. Basic benefit programs such as the Food Stamp Program, the Aid to Families with Dependent Children program, and the unemployment insurance program were also subject to program cuts.

Due to their higher poverty rates, Hispanic-Americans are more likely to participate in low-income programs than are other Americans. Therefore, Hispanics were disproportionately affected by these reductions. While Hispanics comprise eight percent of the total U.S. population, they constitute 17 percent of the poverty population and nine to 18 percent of the beneficiaries of many of the low-income programs that sustained major reductions.

Recent poverty data issued by the Census Bureau link the budget reductions to higher levels of Hispanic poverty, especially among families with children. Between 1979 and 1987, the number of Hispanic families with children living in poverty grew by 89 percent.

The Census data indicate that one of the reasons for this poverty increase is that government benefit programs now lift a much smaller proportion of poor Hispanic families out of poverty than they did in the late 1970s. In 1979, more than one of every eight Hispanic families with children who would have been poor (13.1 percent of these families) was lifted out of poverty by cash benefits such as public assistance, unemployment insurance, and Social Security. In 1987, however, fewer than one of

every 14 such Hispanic families (6.9 percent of these families) was lifted out of poverty by these programs.

Reductions in Low-Income Programs

Government programs that aid low-income households fall into two categories -- "discretionary programs" and "entitlement programs."

Discretionary (or non-entitlement) programs are those programs for which Congress has the discretion to set funding levels each year through the appropriations process. Entitlement programs are those programs for which the government is required by law to provide specified levels of assistance or benefits to all who meet prescribed eligibility criteria.

Funds for both types of programs have been reduced in the 1980s.

Discretionary Programs

The sharpest reductions occurred in the discretionary programs targeted on low-income families and individuals (see Table 1).

- Total appropriations for low-income non-entitlement programs in fiscal year 1989 are 55 percent below their fiscal year 1981 levels, after adjusting for inflation.

- In dollar terms, total FY 1989 appropriations for low-income non-entitlement programs declined by $47.6 billion (from fiscal year 1981 to fiscal year 1989), after adjusting for inflation.

- The largest reductions came in subsidized housing programs. These programs are limited in scope, providing housing assistance to less than one of three eligible low-income families. Appropriations for subsidized housing programs fell from $30.2 billion in FY 1981 to $7.5 billion in FY 1989. After adjusting for inflation, this is a decline of 81.9 percent.[1]

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1. The deep reductions in appropriations for subsidized housing during this period are not matched by decreases in outlays for subsidized housing. In many subsidized housing programs, funds appropriated in a given year are actually spent over periods of as much as 20 years. Trends in subsidized housing outlays during the 1980s reflect, in part, housing commitments and housing projects undertaken during the 1970s, and subsidized housing outlays have risen in this decade as a result. Part of the large reductions of recent years in appropriations for subsidized housing will be reflected in outlays levels in the future. It should also be noted that because of growing shortages in low rent housing, the numbers of low income households spending extremely high proportions of their incomes on rent have risen sharply in recent years, despite growth in subsidized housing outlays. In 1985, nearly half of all poor renter households (46 percent of such households) spent at least 70 percent of their income on rent and utilities.

CHANGES IN LOW INCOME DISCRETIONARY PROGRAMS, FY 1981 - 1989

(in millions of dollars)

Discretionary Low Income Programs	FY 1981 Budget Authority*	FY 1981 Levels, Adjusted for Inflation**	FY 1989 Budget Authority	Change FY 1981-89 After Inflation	Percent Change After Inflation
Child Welfare Services	$ 173	$ 239	$ 247	$ 8	3.5%
Commodity Supplemental Food Program	27	37	50	13	34.3
Community Development Block Grant	3,695	5,096	3,000	-2,096	-41.1
Community Services Block Grant	525	724	378	-346	-47.8
Compensatory Education (Chapter 1)	3,545	4,889	4,579	-310	-6.3
Emergency Food and Shelter	0	0	114	114	NA
Financial Aid for Needy Students	3,802	5,244	5,814	570	10.9
Food Donations	129	178	199	21	11.9
Head Start	814	1,123	1,235	112	10.0
Health Care Services					
Community Health Centers	325	448	415	-33	-7.4
Health Care for the Homeless	0	0	15	15	NA
Immunizations	31	43	142	99	232.1
Infant Mortality Initiative	0	0	21	21	NA
Maternal & Child Health	457	630	554	-76	-12.1
Migrant Health	43	59	46	-13	-22.4
Higher Education Programs (TRIOs)	160	221	219	-2	-0.8
Homeless Shelter Programs	0	0	128	128	NA
Housing Assistance for the Elderly	797	1,099	480	-619	-56.3
Indian Education	355	490	341	-149	-30.4
Indian Health	692	954	1,082	128	13.4
Legal Services	321	443	309	-134	-30.2
Low Income Energy Assistance	1,850	2,552	1,383	-1,169	-45.8
Low Income Weatherization	175	241	161	-80	-33.3
Older Americans Employment	277	382	344	-38	-10.0
Public Housing Operating Subsidies	1,071	1,477	1,618	141	9.5
Social Services Block Grant (Title XX)***	2,991	4,125	2,700	-1,425	-34.5
Subsidized Housing	30,170	41,610	7,539	-34071	-81.9
Temporary Emergency Food Assistance	0	0	50	50	NA
Training and Employment Services	9,106	12,559	3,786	-8773	-69.9
Work Incentive Program (WIN)	365	503	91	-412	-81.9
WIC	900	1,241	1,929	688	55.4
Total discretionary programs with subsidized housing	$62,796	$86,608	$38,969	-$47,639	-55.0%
Total discretionary programs without subsidized housing	$32,626	$44,998	$31,430	-$13,567	-30.2%

*FY 1981 budget authority levels at the start of the Reagan Administration, prior to rescissions implemented by the administration in the spring of 1981. Budget authority is the total amount of funding that is appropriated by Congress each year. In some case, funds that are appropriated may not be entirely spent in that year and may be spread out over a number of years.

**Inflation from FY 1981 to fy 1989 is calculated using CPI-U, FY88/FY81, and assumes a 4.8 percent inflation factor for FY 1989, as reflected in the Congressional Budget Office's August 1988 forecast. Total inflation adjustment for FY 1981 to FY 1989 is 37.92 percent.

***Although the social services block grant (SSBG) is sometimes regarded as a "capped entitlement," for the SSBG are limited to those actually appropriated. If Congress appropriates less than the authorized level, only the amount appropriated is actually provided.

- Many other low-income programs have also been reduced substantially since FY 1981: appropriations levels have dropped 82 percent for the Work Incentive program, which provides job training to welfare recipients; 70 percent for other employment and training programs for low-income and disadvantaged people; 56 percent for housing assistance for the elderly and handicapped; 46 percent for the low income energy assistance program; and 30 percent for legal services. (All figures are adjusted for inflation.)

- Total appropriations for low-income discretionary programs other than subsidized housing fell 30.2 percent from FY 1981 through FY 1989, after adjusting for inflation.

Low-Income Entitlement Programs

While low-income entitlement programs were not cut as sharply as the low-income discretionary programs, several low-income entitlement programs did undergo significant reductions. Chief among these were the Food Stamp Program and Aid to Families with Dependent Children (AFDC).

- As a result of reductions in 1981 and 1982, the Food Stamp Program underwent the largest percentage reduction of any major means-tested benefit program. Federal outlays for food stamp benefits fell 15 percent from FY 1981 to FY 1987, after adjusting for inflation.

- Although 3.2 million more people lived below the poverty line in 1987 than in 1980, some 900,000 fewer people received food stamps in an average month of 1987 than in 1980. In 1980, for every 100 people living in poverty, there were 68 food stamp participants; in 1987, for every 100 people in poverty, there were 58 food stamp participants. Some 11.7 percent of food stamp recipients in 1986 were Hispanic.

- AFDC program changes enacted in 1981 resulted in a loss of eligibility or benefits for large numbers of families, most of them single-parent families in which the mothers work at low-paying jobs. The Secretary of Health and Human Services reported that 408,000 families lost all AFDC benefits due to program reductions, while another 299,000 families had their benefits reduced. Some 14 percent of AFDC families are Hispanic.

- The General Accounting Office (GAO) found similar results. In a study of families in five cities who had been terminated from AFDC by the budget cuts, the GAO found that in several of these cities as many as 80 percent of those terminated were still below the poverty line one and a half to two years after being terminated. Although a number of these families tried to compensate for the loss of benefits by working more and increasing their earnings, the GAO found that the increases in earnings did not offset the losses in benefits. The overall income of the families terminated from AFDC fell an average of $124 to $216 a month, the GAO reported. (This

equals $1,500 to $2,600 on an annualized basis, a very substantial loss for a poor family.)

- The GAO also found that many of the terminated families lost Medicaid coverage for themselves and their children when their AFDC benefits were cut off. Between 14 and 24 percent of the terminated families reported that after their benefits were terminated, they experienced a situation in which they either did not seek medical treatment when it was needed or were denied treatment due to lack of money or insurance. In addition, more than one-third of the terminated families reported having a utility shut off after they terminated from AFDC, due to non-payment of a bill.[2]

- States have reduced AFDC benefit levels as well. Benefits for a family of four with no other income are now 21 percent lower than in 1979 in the typical (or median) state, after adjusting for inflation, and 33 percent lower than in 1970.

- The combined federal and state reductions have also served to sharply limit eligibility for AFDC.[3] In 1977, there were 78 children receiving AFDC for every 100 children in poverty. In 1987, there were 58 children receiving AFDC benefits for every 100 children in poverty.

- Benefit reductions were also large in the unemployment insurance program and contributed to the sharp contraction that has marked the program in recent years. (Other factors contributed as well.) In 1987, only 31.5 percent of the unemployed received unemployment insurance benefits in an average month, the lowest coverage rate on record. 1987 marked the fourth consecutive year that unemployment insurance coverage fell to a new record low.[4]

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2. The GAO found that in the five cities studied, between 32 percent and 44 percent of the families terminated from AFDC reportedly had gas, electric, or phone service cut off due to non-payment, after being terminated from AFDC. The GAO also found that between 30 percent and 48 percent of the terminated families either had not sought or had been refused treatment for a dental problem (due to inability to pay), after being dropped from the rolls.

3. In 1980, some 36 states provided AFDC benefits to low income working mothers with three children whose earnings equalled 75 percent of the poverty line. In 31 of these 36 states, the AFDC benefits raised the family's disposable income above the poverty line. By contrast, in 1987, a mother with this level of earnings qualified for AFDC benefits in just seven states -- and in only one state was she raised above the poverty line. (These data, which are drawn from tables prepared by the staff of the House Committee on Ways and Means, pertain to working mothers without child care expenses.)

4. The unemployment insurance program is not a "means tested" program (i.e., is not limited to low income individuals). However, the budget reductions in this program

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- For Hispanics, unemployment insurance coverage rates are even lower. Labor Department data indicate that only 16 percent of the Hispanic unemployed -- or about one in six -- received unemployment insurance benefits in an average month in 1987.[5]

It should also be noted that after the deep benefit cuts of the early 1980s, some benefit restorations were made in low-income entitlement programs, primarily from 1984 to 1988. In addition, in the past few years, Congress has extended Medicaid coverage to more low-income pregnant women and young children. Nevertheless, many of the reductions enacted in the early 1980s, particularly the AFDC cuts affecting low-income working mothers and their children and reductions in unemployment insurance, remain in effect in full or in substantial part.[6]

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4. (...continued)
appear to have had a significant impact on low income households. One of the nation's leading experts on unemployment insurance, Wayne Vroman of the Urban Institute, has written: "[I]t seems clear that UI benefit cutbacks have contributed to economic hardship and to occurrences of poverty in the 1980s."

5. The estimated 16 percent coverage rate for the Hispanic unemployed is based on several sets of Labor Department data: regular monthly data on the number of unemployed Hispanics and the number of unemployment insurance recipients and data from a special Department survey on the demographics of unemployment insurance recipients. The survey, which is based on data for February, May, August, and November of each year, includes information on the percentage of unemployment insurance recipients who are of Hispanic origin.

6. Some benefit restorations were enacted in AFDC in 1984 and in the Food Stamp Program in 1985, 1987, and 1988. Most of the key AFDC reductions made in 1981 that were aimed at low income working families with children remain in effect, either in whole or in part.

In the Medicaid program, expansions were enacted in recent years that have extended coverage to a significant number of low income pregnant women and young children who are not on welfare.

Supplemental Security Income (SSI) benefits for the aged, blind, and disabled poor were raised in 1983. The SSI benefit increases were designed to compensate for losses that SSI beneficiaries would otherwise have suffered as a result of the six-month delay in Social Security cost-of-living adjustments contained in the 1983 Social Security rescue legislation.

Finally, the earned income tax credit (a refundable tax credit for working families with children) was enlarged substantially by the 1986 Tax Reform Act. Nevertheless, the expansion in the credit, along with the other income tax changes benefitting poor families that were included in the 1986 Tax Reform Act, essentially returned overall federal income and payroll tax burdens on working families with incomes at the poverty

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Budget Cuts Disproportionately Affect Hispanics

These budget reductions had a disproportionate effect on Hispanics.

- Hispanics are nearly three times as likely as whites to be living in poverty. Thus, they tend to make more use of government assistance programs aimed at low income people. While Hispanics comprise eight percent of the total U.S. population, they account for 17 percent of the poverty population and nine to 18 percent of the beneficiaries of many of the low-income programs that have sustained major reductions. Consequently, Hispanics are about twice as likely as the general population to be affected by these program reductions.

Size of Budget Cuts in Non-Entitlement Programs with High Hispanic Participation

Program	Reductions in Appropriations Levels FY 1981 - FY 1989	Percentage of Participants Who Are Hispanic
Public Service Employment (CETA)	-100.0%	14.3%
Subsidized Housing	-81.9	11.0
Work Incentive Program (WIN)	-81.9	9.0
Training & Employment Services	-69.9	10.5
Low Income Energy Assistance	-45.8	9.0
Legal Services	-30.2	17.8

Budget Cuts Linked to Hispanic Poverty Increase

Census Bureau data show that poverty has risen significantly among Hispanic families with children in the 1980s, and that government-benefit programs now lift a substantially smaller proportion of these families out of poverty than they did in 1979.[7]

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6. (...continued)
line to about the same levels as in the late 1970s. Tax burdens on these families had risen sharply in the first half of the 1980s.

7. Census data published each year since 1979 indicate how many Hispanic families would be below the poverty line if they did not receive various types of government benefits and how many families are lifted from poverty by these benefits. A more extensive analysis of these data, using data from 1979 through 1986, can be found in *Falling Through the Safety Net: Latinos and the Declining Effectiveness of Anti-Poverty Programs in the 1980s*, by the Southwest Voter Research Institute and the Center on Budget and Policy Priorities (published by the Southwest Voter Research Institute in March 1988).

- Since 1979, the number of poor Hispanic families with children has grown by 487,000 -- from 592,000 in 1979 to 1,030,000 in 1987. This represents an increase of 89 percent in the number of poor Hispanic families with children.[8]

- In 1979, more than one of every eight Hispanic families with children who would otherwise have been poor (13.1 percent of these families) was lifted out of poverty by cash benefits such as Social Security, unemployment insurance and public assistance. In 1987, however, fewer than one of every 14 such Hispanic families (6.9 percent of these families) was lifted from poverty by these programs.

- The Census data show that if benefit programs providing cash assistance had continued to lift out of poverty the same proportion of Hispanic families with children as in 1979, some 68,000 fewer such Hispanic families would have been poor in 1987.

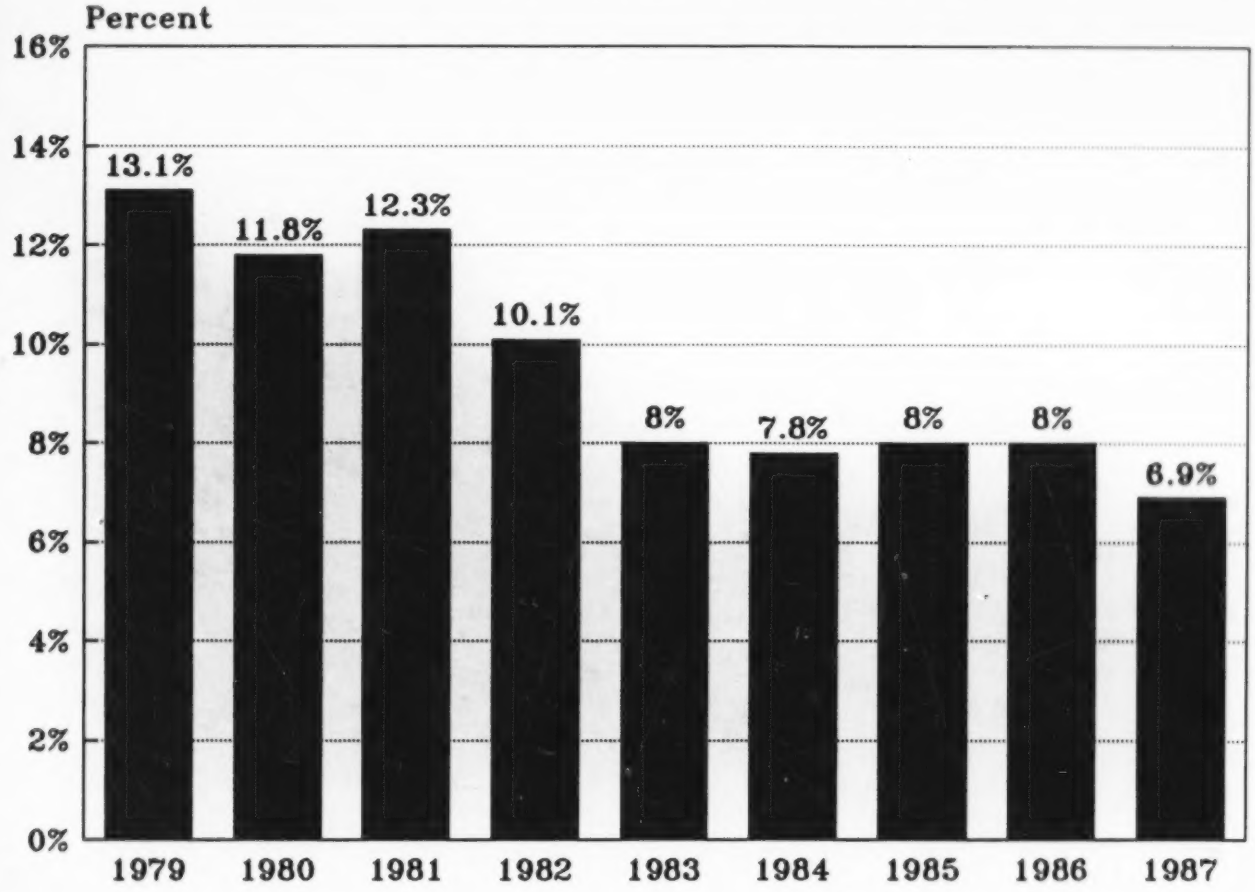
- Most of the reduction in the anti-poverty impact of the programs on Hispanic families occurred either from 1979 to 1980 -- when inflation substantially outdistanced benefits -- or from 1981 to 1983, following the early rounds of administration budget cuts, when programs for low-income families were subject to a disproportionate share of the cuts and when unemployment insurance coverage and Social Security benefits for several categories of families with children were also reduced.

Several additional factors also appear to have contributed to the lessened anti-poverty impact of the programs. There appears to have been an underlying trend in the economy that has resulted in the non-benefit incomes of many poor Hispanic families falling farther below the poverty line, probably as a result of such factors as longer average spells of unemployment and declines in real wages (real wages were lower in 1987 than in any year in the 1970s). In addition, the minimum wage has remained at $3.35 per hour since 1981, a period in which consumer prices have risen 38 percent (see Chapter III). It appears that for some Hispanic families, their non-benefit income may have declined to the point where, after being supplemented by government benefits, it no longer brings them to the poverty line.

(text continued on page 40)

8. During this period, the Census Bureau changed its sampling techniques and included more Hispanic families in its estimate of the total Hispanic population. The increase in the absolute number of Hispanic families in poverty is partially a result of these changes in Census methodology and partially a result of other forces including economic and demographic factors, immigration and the reductions in government benefit programs discussed here.

Figure 6
Percent of Poor Hispanic Families with Children
Lifted from Poverty by Cash Programs



Source: Census Bureau Data

In addition, increases in the number of poor single-parent Hispanic families with children appears to be a factor. Single-parent Hispanic families with children typically have lower incomes than other poor Hispanic families with children. Even though they are more likely than other poor Hispanic families to receive government benefits, their incomes are often so low that even after receiving benefits, they still fall below the poverty line.